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April 21, 2006

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BY FAX AND BY MAIL

Amy Zimpfer
Associate Director, Air Division
U.S. Environmental Protection Agency
75 Hawthorne Street
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**Re: Cabrillo Port Project
NOx Emission Reduction Project Status Report**

Dear Amy:

Last week I informed you that BHP Billiton LNG International Inc. ("BHP") had executed a contract with Sause Brothers ("Sause") to repower one of its oceangoing tugs with new low emitting and fuel efficient engines. We provided to you a redacted form of the contract and indicated that we were beginning the due diligence process by which we will document tug's route and anticipated emissions reductions. By this letter we are updating you as to BHP's due diligence efforts in regard to the Sause tug as well as informing you of an additional repowering contract that BHP recently executed that will provide additional NOx reductions in California Coastal Waters.

Sause Brothers Due Diligence Update

By signing the Sause contract, BHP and Sause committed to a careful examination of the tug fuel use and route history data. In my last letter, I provided to you a copy of the contract that BHP entered into with Sause. That contract specified the primary tug route information and Sause's estimate of the historic fuel usage. Historic information is limited with this particular vessel as Sause assumed this tug route from another company (Crowley) a little over a year ago. Therefore, Sause does not have access to the historic trip records predating its assumption of this contract. When Sause negotiated the contract with BHP it estimated fuel usage based upon the average number of long haul trips it expects to make annually for its client. That fuel usage is reflected in Attachment A to the contract. With the contract complete, BHP is now reviewing the last year's fuel use records and route logs. This information will be incorporated into a report we anticipate submitting to EPA in approximately one week. As BHP began this effort, its

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consultant determined that last year Sause did not complete as many trips as it expects to make annually under its service agreement with Chevron. As a result Sause's fuel usage appears to be less than what was identified to BHP when the contract was entered into. BHP is still working with Sause to determine whether the past year is representative of future activities or whether the trip load that Sause identified in the contract better predicts the average annual tug activity. This information will be contained in BHP's report. Based on the fuel records reviewed to date, we predict that the NOx emission reductions attributable to the Sause repowering project are approximately 123 tons per year.

Additional Mitigation Opportunity

BHP is pleased to inform you that on April 19, 2006 it executed a contract with Olympic Tug & Barge ("Olympic"), a maritime tug operator, to replace the engines in one of its tugs with modern Tier 2 compliant diesel fired engines. Olympic operates a long haul tug line between the Port of Richmond and the Port of Los Angeles/Port of Long Beach. The entire route of this vessel is in California Coastal Waters. In addition, the Olympic tug performs lightering services under a long term contract whereby it transports crude oil from Ellwood Platform (off the southern portion of Santa Barbara County) to the Shell refinery in Long Beach. The tug also lighters oil from tankers anchored in California Coastal Waters off Los Angeles County to the Wilmington refineries. As with the Sause tug, Olympic's tug has engines that are quite old and, therefore, are both significantly less fuel efficient and significantly higher emitting. By replacing the two propulsion engines and the two auxiliary engines with modern low emitting engines, emissions should be reduced considerably. BHP's initial estimates based on the information provided to it by Olympic in the process of developing the contract (and documented in Attachment A to the contract) are that the repower project will reduce NOx emissions by approximately 96.7 tons per year. BHP is now commencing its due diligence and will confirm that the information presented by Olympic in the contract negotiations is fully supported by the record. BHP will continue to work with your team as the company performs its due diligence.

We have included a fully executed copy of the contract between BHP and Olympic as documentation of BHP's right to these emission reductions. Please note that consistent with the terms of the contract we have redacted the financial terms. By executing this contract with Olympic, in addition to the contract the company previously executed with Sause, BHP believes that it has fully met its obligation to find emission reduction projects equal to the stationary source NOx emissions.



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BHP is pleased to provide you with this update on the company's continued efforts to obtain NOx emission reductions. If you have any questions about either the Sause or Olympic repowering projects, please call me.

Sincerely,

Thomas R. Wood

cc: Renee Klimczak
Rick Abel
Margaret Alkon
Dwight Sanders
Bob Fletcher
Mike Villegas